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The Long Road to Europe

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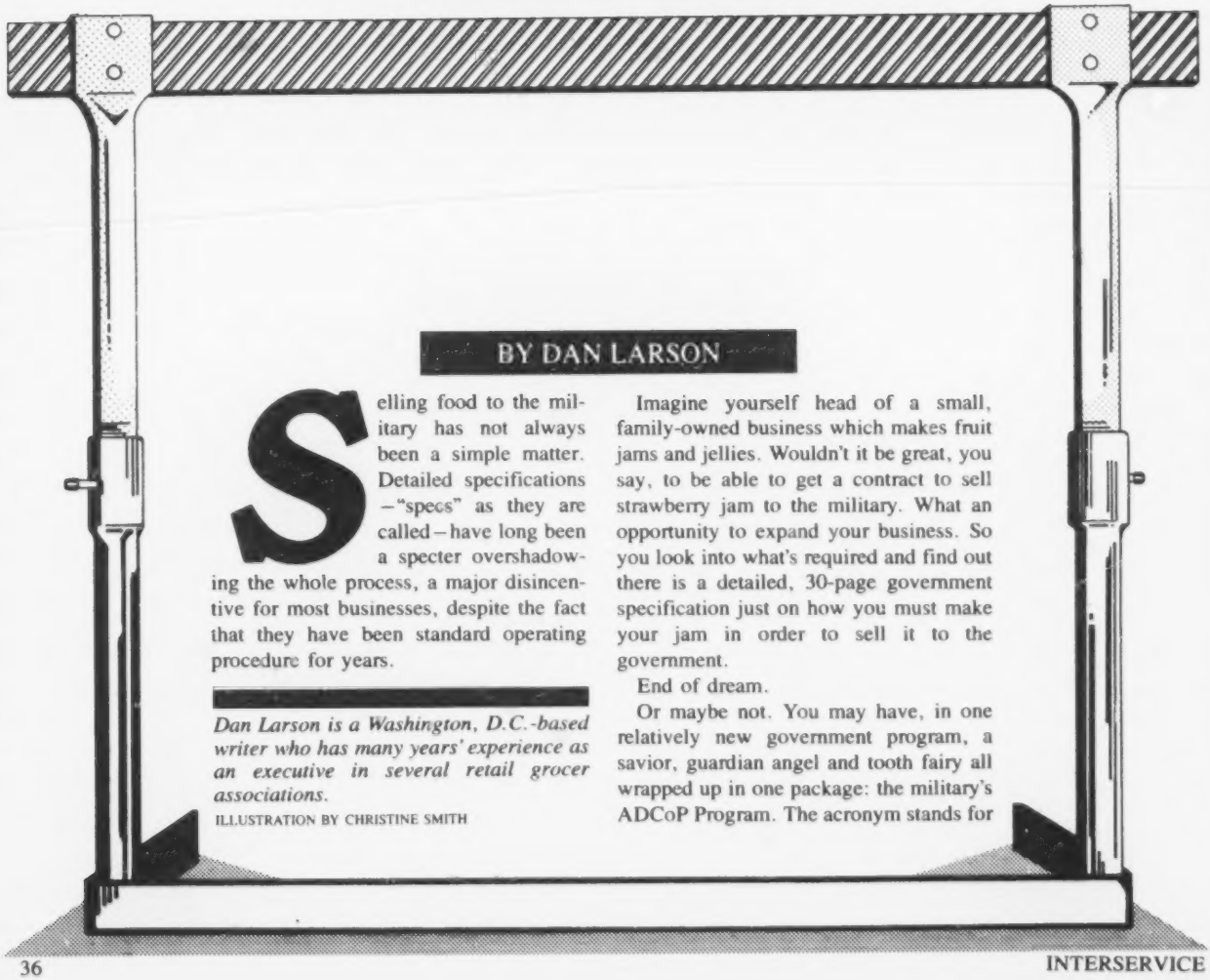
Hurdle Those Specs With ADCoP



BY DAN LARSON

Selling food to the military has not always been a simple matter. Detailed specifications—"specs" as they are called—have long been a specter overshadowing the whole process, a major disincentive for most businesses, despite the fact that they have been standard operating procedure for years.

Dan Larson is a Washington, D.C.-based writer who has many years' experience as an executive in several retail grocer associations.

ILLUSTRATION BY CHRISTINE SMITH

Imagine yourself head of a small, family-owned business which makes fruit jams and jellies. Wouldn't it be great, you say, to be able to get a contract to sell strawberry jam to the military. What an opportunity to expand your business. So you look into what's required and find out there is a detailed, 30-page government specification just on how you must make your jam in order to sell it to the government.

End of dream.

Or maybe not. You may have, in one relatively new government program, a savior, guardian angel and tooth fairy all wrapped up in one package: the military's ADCoP Program. The acronym stands for

Acquisition and Distribution of Commercial Products, and it means dynamic new opportunities in the military's multi-million dollar subsistence programs.

Why ADCoP?

ADCoP appeals to those companies whose products have commercial recognition but who do not currently sell them to the government. Such businesses have either consciously, as a matter of policy, or as a general response to the difficulties of responding to military specification, chosen not to sell to the government. The reasons vary from not wanting more government plant inspectors to concerns about the potential red tape.

ADCoP has forced government buyers, traditionally insulated behind the protective wall of specifications, into the commercial marketplace.

For manufacturers or producers with the facilities, manpower and inclination to adapt and retool to military specifications, elaborate specs have posed no serious problem. Their biggest hurdle has been just getting the bid to produce the product. For many smaller companies, however, this enormous potential market has been out of reach.

With ADCoP, all this has changed. Because it simplifies what had been such a difficult process, it appeals not only to small businesses but also to the institutional food sales and military food program managers of large companies.

Why are matters simplified? First, businesses no longer have to deal with detailed, complex, "gotcha"-type specifications; second, if a product has commercial market acceptability, the government will not send in more inspectors to interupt operations; and third, the Prompt Payment Act obligates the government to pay its bills in a timely manner.

How ADCoP Started

The ADCop ball got rolling in 1972 when the blue-ribbon Commission on Government Procurement examined the government's buying practices, including food. (see Box, page). The Commission proposed several ideas for more efficient and cost effective acquisition, but also posed a revolutionary question: if a commercial product exists, that is being sold on the market and fills government's needs, why go through all the rigmarole of specs?

Take, for example, a common bottle of steak sauce, destined for a military mess hall table. There may be no identifiable difference between the steak sauce produced to military specifications and the steak sauce available in the commissary or supermarket. Nevertheless, prior to the advent of ADCoP, the mess hall's steak sauce had to be produced according to elaborate government specs.

The Commission decided that this was not only unnecessary but also made no sense economically.

With this groundwork laid by the Commission, ADCoP got its formal start in 1978. Responsibility for the program as it pertained to subsistence was assigned to the Defense Personnel Support Center (DPSC), part of the Defense Logistics Agency, headquartered in Philadelphia, PA.

DPSC is the largest single institutional food buyer in the world, representing approximately two percent of the total food purchased in the U.S.

A significant part of the agency's effort is focused on the subsistence needs of the Armed Forces throughout the world. In fiscal year 1984, the subsistence portion alone of DPSC equaled over $2.2 billion in procurement obligations.

What Bidders Need To Know

Suppose you are interested in becoming an ADCoP supplier. What do you need to know and how do you go about it?

The first step, if you want to receive DPSC solicitations, means you must get your name on the agency's Bidders Mailing List. To do this, simple contact DPSC headquarters in Philadelphia or the Defense Subsistence Region – Pacific in Alameda, CA. (see Box for full details).

Written solicitations are used to obtain offers on carlot quantities (except fresh fruits and vegetables) and generally on less-than-carlot quantities as well. From time to time some items may also be solicited orally.

In either case, both Invitations for Bids (IFBs) or Requests for Proposals (RFPs) are supplemented by a Master Solicitation. This contains the terms, conditions and provisions which remain constant. DPSC will be happy to assist to get the ball rolling.

In fact, one of the difficulties DPSC has had to overcome with ADCoP is a lack of promotional opportunities. Large companies who maintain regular communications with DPSC have been alerted to the program. Advising small businesses has proven to be a more difficult challenge. Nevertheless, in the first years of operation, DPSC has managed to attract 50 new small businesses to the bidding process. They want to keep the momentum going.

Advantages of ADCoP

What's in it for DPSC, you ask? At the minimum there are a number of logistical advantages to the program to help stretch tax dollars. Certainly the first to come to mind is reducing the hard copy volume of item descriptions. Many suppliers can remember the day when DPSC used a 33-page specification to buy frankfurters. Today, with ADCoP, the Commercial Item Description (CID) is down to less than two pages.

Other economies have also been realized. Increased competition has reduced acquisition costs on many items and frankfurters are again a good example.

Prior to ADCoP, there were a maximum of four bidders offering to sell hot dogs. Now there may be as many as thirteen.

DPSC is now able to pay about 10¢ per pound less for franks which translates into an annual savings of about $600,000.

In addition, production lead time has been shortened on some items, thereby reducing inventory investment. Acquisition strategy has been changed on some items to take advantage of commercial practices which have assured product availability.

ADCoP appeals to those companies whose products have commercial recognition but who do not currently sell them to the government.

ADCoP Item Selection

An item gets selected for the ADCoP Program only after careful review. The action centers around the ADCoP Item Selection Committee, composed of the assistant chiefs of each of the three DPSC headquarter subsistence divisions. The committee takes a look at an item based on the results of an acquisition strategy analysis and, essentially, seeks to determine if the item is a good fit for the program.

If they like what they see, the Committee forwards a favorable recommendation to the Armed Forces Product Evaluation Committee for their consideration. This committee is composed of representatives of the Army, Air Force, Navy and Marine Corps. An item must receive unanimous endorsement before becoming an ADCoP item. However, once it makes the grade, all future acquisitions are made on an ADCoP basis.

Over the course of the entire program, since 1978, more than two-thirds of ADCoP award dollars have gone to small business firms.

Since the program began in 1978, the DPSC's subsistence managers have converted approximately 200 National Stock Numbered (NSN) items from government specifications to ADCoP. In fiscal year 1983, over $75 million was awarded in ADCoP subsistence acquisitions. This was more than double the previous year.

Through the first half of fiscal year 1984 – the period for which the most recent figures are available – ADCoP awards totaled $30.1 million.

Political Challenges

If the latest ADCoP figures suggest a slight acquisition decline, the observation must be looked at in a political context. ADCoP was severely hampered by language in a 1983 Department of Defense Appropriations Act which in effect said that small businesses could not be excluded from bidding, even though they did not qualify as commercial producers.

At the time, Navy Vice Admiral Eugene K. Grinstead, since retired as director of the Defense Logistics Agency, perhaps summarized the problem best. He said, "For some time, we have been working on converting military specifications to commercial item descriptions, or CIDs, where feasible.

"The program seemed to have good potential but we have hit a snag which is causing some delays. The program appears to be having some impact on small businesses doing business with DOD. As you probably know, the commercial item description program was aimed towards products with a demonstrated commercial acceptance and this hurt some of the smaller producers who were making items to government specs – they suddenly found some real stiff competition they couldn't handle, so we are taking another hard look at this entire area."

Solving The Problem

And look hard they did. It was clearly not a simple problem. If DPSC based its acceptance of bids on commercially successful products, what about manufacturers who were capable of making products which they had never made but on which they wished to bid? What about established producers who had been making fine products for years, sold them at competitive prices, but only to the government?

These manufacturers and producers had no proven commercial market acceptance for their products because they had never sought it. However, this did not mean that they did not have the capability. Something clearly had to be done to ensure that ADCoP was a fair program and open to all.

To the rescue came the DOD's Defense Material Specifications and Standards Office. They set forth a "flexible" approach towards preparation of commercial item descriptions (CIDs).

The intent was – and is – to tailor acquisition strategy to the specific item being bought. Such a strategy allows all potential suppliers to compete on a similar basis.

The new approach is basic and straightforward. Simplified CIDs may now be prepared when there is no expected impact on small business, when defining regulated products like milk or when the purchase is primarily expanding on established, nongovernment standards.

When greater detail is needed, an expanded CID may be developed. A new ADCoP clause now allows bidders two different options. For those manufacturers who have products with commercial market acceptance, they may bid on that basis. Equally, those manufacturers who do not yet produce a given item, but have the capability to do so, may also bid. With all things being equal, the low bidder still gets the contract.

CIDs are sufficiently detailed so that manufacturers who do not make the specific commercial item on which they wish to bid at least know what is expected of the item. It also allows the government, in the absence of the commercial item, to be able to make some objective testing.

How ADCoP Got Started

The specter of specs has hung over the food acquisition process of the military for years, but all this began to change in 1972. In that year, the Commission on Government Procurement, comprised of members from industry, Congress and the executive branch of government, submitted a report to Congress. One section of the report, "Acquisition of Commercial Products," offered a revolutionary idea.

The Commission said that there was a "need for a shift in the fundamental philosophy relative to commercial product procurement." It was felt that in federal procurement, too much reliance had been placed on the use of detailed specifications. The report further suggested that using specifications when equally acceptable products were being sold to civilians was resulting in higher costs to the government.

It was concluded that strict interpretation of specs either forced some producers out of government work or discouraged them altogether from participating. Reduced competition was the obvious consequence, with food for subsistence requirements costing more than it should.

The Commission recommended that specifications not be used when the government is but one of many buyers for a particular product. It went so far as to say that "food specifications are the most unusual and confusing of all Federal Specifications in the procurement system."

Institutionalizing the Commission's initiatives became the responsibility of the Office of Federal Procurement Policy (OFPP). Shortly afterwards, in 1976, came the first policy statement to buy commercial. DOD Directive 5000.37, issued in 1978, eventually hit the button that launched ADCoP.

ADCoP Purchases by Products
Fiscal Years '81-'83

(Non-Perishables)	FY 81	FY 82	FY 83	Totals
Apple Butter	$ 13,852	$ 160,841	$ 41,731	$ 216,424
Beans (Refried)	48,731	90,599	86,204	225,534
Baking Soda	139,642	355,216	153,658	648,516
Bean Sprouts	994,063	408,241	245,169	1,647,473
Cereals	441,288	343,411	425,407	1,210,106
Cereals (RTE)		452,050	2,017,492	2,469,542
Cherries (Marachino)	288,153	563,284	697,509	1,548,946
Coffee (HCG)	54,205	59,391	65,488	179,084
Cranberry Sauce	688,970	335,136	678,639	1,702,745
Cream Substitute	431,970	281,111	832,389	1,545,470
Garlic (DHY)		61,952	9,156	71,108
Hominy Grits	348,004	587,028	323,553	1,258,585
Honey	131,363	120,409	220,562	472,334
Hot Sauce	218,789	369,328	263,907	852,024
Milk (Evaporated)	680,239	738,984	608,891	2,028,114
MSG	124,460	198,238	106,255	428,953
Mustard	208,677	34,476	523,932	767,085
Onions	140,006		547,277	687,283
Paprika	505,549	119,357	52,926	677,832
Peanut Butter	239,124	881,087	350,758	1,470,969
Pepper	149,117	58,301	1,402,147	1,609,565
Potatoes	376,493	5,275,522	2,147,230	7,799,245
Ravioli (HCG)	175,168	418,185	254,397	847,750
Salad Dressings	501,708	697,238	427,563	1,626,509
Salt	646,871	644,463	621,130	1,912,464
Soy Sauce	437,149	286,254	228,092	951,495
Starch	35,660	188,414	176,036	400,110
Steak Sauce	320,940	259,511	259,777	840,228
Sugar	13,759,683	13,396,642	12,267,342	39,423,669
Tea	257,632	820,028		1,077,660
Vinegar	490,893	652,112	369,654	1,512,659
Worcestershire Sauce	273,887	186,562	209,039	669,486
Subtotals	**23,122,286**	**29,043,371**	**26,613,310**	**78,778,967**

(Perishables)	FY 81	FY 82	FY 83	Totals
Bacon	1,002,472	1,652,211	2,398,224	5,052,907
Bologna		187,298	755,617	942,915
Bread, Rolls, etc.		2,000,000	32,676,271	34,676,271
Butter			2,131,233	2,131,233
Cheese			902,765	902,765
Frankfurters (5-10 lb.)			767,170	767,170
Frankfurters (1-2 lb.)		288,186	2,998,123	3,285,309
Indiv. Servings	269,525	530,042	283,807	1,083,374
Potatoes (Frozen)			6,684,712	6,684,712
Subtotals	**1,271,997**	**4,657,737**	**49,597,922**	**55,528,656**
Grand Total	**$24,394,283**	**$33,701,108**	**$76,211,232**	**$134,307,623**

Striving For Flexibility

Al Cardone, Assistant Chief of DPSC's Contracting and Production Division, has as much as anyone to say about the streamlined virtues and flexibility of ADCoP. He says, "Every buyer wants to make sure he is getting what he is paying for. In the supermarket industry, if a product does not move off the shelf, they have a big sale or they give it to charity or maybe they can return it in some way.

"The government does not have all those options so we have specifications for products and inspectors to make sure we are getting what we pay for. This all changed under the ADCoP program. It was replaced with 'commercial market acceptability.'

"A product sold commercially is, to a large degree, a certification that the product is acceptable. Just having space on a supermarket shelf—which is not easy to come by—shows that. So we use commercial market acceptability in place of specifications."

The DPSC is optimistic about the use of CIDs as a shorthand substitute for lengthy specs. Says Cardone, "With the congressional language, we were given the clear directive that small businesses cannot be excluded. It was at this point that we developed the two-part solicitation, composed of commercial market acceptability or commercial item descriptions. A CID has to be detailed enough to describe what we want and, through objective testing, to make sure we get what we want.

"However, we are trying to walk a fine line and avoid putting so much protection back into documents that we wind up coming full circle with specifications.

"We want any business that wants to bid to have a reasonable and fair chance," concludes Cardone.

The irony is that small businesses have been participating—more than 50 have won an assorted variety of contract awards—and their share of the ADCoP pie has been growing noticeably larger. Over the course of the entire program, since 1978, more than two-thirds of ADCoP award dollars have gone to small business firms.

The Grace Commission Studies ADCoP

There are roughly 1,800 NSNs in the DPSC's item catalog. The question might be, why not make them all part of the ADCoP program?

The President's Private Sector Survey on Cost Control, otherwise known as the Grace Commission, took a look at the ADCoP program and asked the same question.

The simple answer is that not all products acquired for our military are commercially available. Some products are ruled out solely on the basis of their packaging. Is it possible to find a home cook who needs 10 gallons of fresh egg yolk? Bakery mixes are another example. The military uses them canned, but they are generally not considered commercial items by the military.

DPSC has managed to attract 50 new small businesses to the bidding process.

Okay, the Grace Commission conceded, but how many items *would* be good candidates for conversion? DPSC suggested perhaps 600 items, or three times the number that are now ADCoP items.

In fact, that is what the DPSC is doing now: looking at every item in a deliberate, businesslike way to measure whether adding it to the list will meet the needs of the service, and also whether it will improve the acquisition process. If it passes this inspection, the item will traverse the review process and in all likelihood be added.

Buyers Face The Market

ADCoP has brought some unexpected changes to the agency that is responsible for its management. It has forced government buyers, traditionally insulated behind the protective wall of specifications, into the commercial marketplace. They now have to know who is in the marketplace, where they are operating, how are they selling, who are they selling to and how products stack up price-wise.

This one change alone has made its mark on everything that touches ADCoP. It brings the dynamics of the commercial marketplace right onto the government buyers' desks. It makes them better buyers, it leads them to better products for the government, and it saves time and money. It's hard to argue with that.

Suppliers Are Positive

Companies large and small who have participated in ADCoP see it as a viable and productive business opportunity, and pursue it as such.

Raymond T. Pelelas, Manager for Military and Export Sales at Kitchens of Sara Lee, says, "I endorse the concept of ADCoP. Implementation of this policy by the Department of Defense necessitates adjustments according to the items to be acquired or distributed. These adjustments, if properly made, should reduce defense spending and, at the same time, provide an adequate vendor base for our national defense."

Observations of a small supplier come from Jim Bergman, Vice President of the Bergman Meat Packing Co., a family business in Pittsfield, IL, who says, "ADCoP helps us considerably. It allows us to compete with our frankfurters and bologna in the market, and allows us greater production and sales. It is a good program." And that is the bottom line.

The fact is that ADCoP has gone through a lull. It was treading water and, while it was not sinking, its forward momentum was diminished.

The next couple of years will be important to regain that momentum. As a government program, it is exceptionally well conceived and administered. The DPSC knows it must continue to meet the many challenges of its mission and will do everything possible to make ADCoP a continuing success story. ■

How To Get Your Solicitations

To receive DPSC's solicitations for food acquisitions, and to get your company's name on the agency's Bidders Mailing List, simply contact DPSC headquarters or the Defense Subsistence Region—Pacific, listed below:

Headquarters
Defense Personnel Support Center
Contracting and Production Division
Directorate of Subsistence
2800 South 20th Street
Philadelphia, PA 19101
(215) 952-4200

Defense Subsistence Region—Pacific
2155 Mariner Square Loop
Alameda, CA 94501
(415) 869-4131

For more information about business opportunities under ADCoP, write to the DPSC at:

Headquarters
Defense Personnel Support Center
Contracting and Production Division
Directorate of Subsistence
2800 South 20th Street
Philadelphia, PA 19101
or telephone: (215) 952-4203